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**BRITISH AMERICAN BANK NOTE  
COMPANY LIMITED**

**ANNUAL  
REPORT  
1968**



# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

## DIRECTORS

H. M. BOYCE Vancouver	Hon. JEAN RAYMOND, Q.C. Montreal
*G. HAROLD BURLAND, M.C., C.D. Ottawa	*KENNETH S. SARGENT Ottawa
ROSS CLARKSON Montreal	JAMES M. TORY, Q.C. Toronto
Hon. GEORGE B. FOSTER, M.B.E., Q.C. Montreal	*A. MURRAY VAUGHAN Montreal
BARRY GERMAN Ottawa	Mrs. L. M. VAUGHAN Montreal
	*RICHARD P. WHITE, O.B.E., V.R.D. Ottawa
* EXECUTIVE COMMITTEE	

## OFFICERS

A. MURRAY VAUGHAN, Chairman and Chief Executive Officer  
 R. P. WHITE, President  
 KENNETH S. SARGENT, Vice President and General Manager  
 GORDON C. LESLIE, Assistant General Manager  
 CLARE V. VAUGHAN, Controller and Chief Financial Officer  
 R. BROCK YOUNG, Vice President Marketing  
 JOHN M. BRADY, Treasurer  
 REGINALD F. BLANDFORD, Secretary  
 R. D. JOHNSON, Toronto Manager  
 W. MICHAEL PRICE, Montreal Manager

## TRANSFER AGENT

The Royal Trust Company      Montreal and Toronto

## REGISTRAR

Montreal Trust Company      Montreal and Toronto

## AUDITORS

Touche, Ross, Bailey & Smart      Ottawa



# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders:

Your Directors submit herewith the consolidated financial statements for the Company's 102nd year ended December 31, 1968 as reported on by the Company's Auditors, Messrs. Touche, Ross, Bailey & Smart.

1968 Sales have shown satisfactory growth. Consolidated Earnings before Income Taxes for 1968 were \$978,785, compared to \$1,130,418 for 1967. Consolidated Earnings after taxes were \$504,596, or \$3.36 per share compared to \$564,177, or \$3.76 per share in 1967. During the year quarterly dividends of 50¢ per share were paid and an extra of 60¢ per share in December. Total dividends were \$2.60 per share.

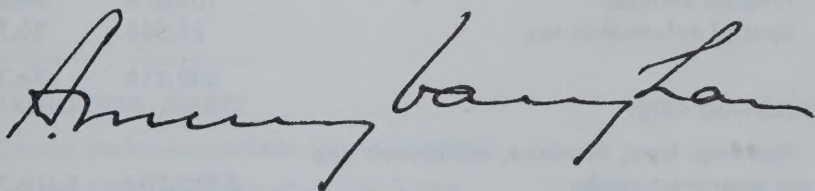
The year ended with Current Assets of \$2,412,026 and Current Liabilities of \$909,845. Working Capital was \$1,502,181 which although still at a satisfactory level decreased from 1967 because of the substantial investment in fixed assets.

During the year an extension to the plant in Ottawa was completed. This addition of 22,000 square feet brings the total plant area to 107,000 square feet. The Company is continuing its policy of replacing and adding equipment to meet the growing needs of our many customers.

The Company is increasing its share of the market and is continuing its programme of developing new product lines and services for the financial community throughout Canada. However rapidly increasing labour and raw material costs together with certain non-recurring start-up expenses connected with new equipment have resulted in lower earnings for the year. 1969 is expected to show some improvement.

Mr. James M. Tory, Q.C., partner in the Law Firm of Tory, Tory, Deslauriers & Bennington, Toronto, was elected to the Board of Directors on April 23, 1968.

On behalf of the Directors it is a pleasure to pay tribute to the loyal and efficient service of the Company's officers and employees.

A handwritten signature in dark ink, appearing to read "Arthur Baylan". The signature is fluid and cursive, with a large initial "A" and a long, sweeping underline.

Chairman and Chief Executive Officer.

February 19, 1969.

# BRITISH AMERICAN BANK NOTE

## COMPANY LIMITED

### AND WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1968

(with comparative figures for 1967)

#### ASSETS

	<u>1968</u>	<u>1967</u>
<b>CURRENT</b>		
Cash	\$ 191,974	\$ 324,058
Accounts receivable	644,815	459,894
Marketable securities—at cost (approximate market value— 1968 \$501,000; 1967 \$967,000)	614,047	1,068,046
Inventories of raw materials, work in process and finished stock, valued at the lower of cost and replacement cost	961,190	728,988
	<u>2,412,026</u>	<u>2,580,986</u>
<b>OTHER</b>		
Investments—at cost	76,250	68,750
Deferred past service pension costs (Note 2)	382,730	491,182
Prepaid charges	103,678	84,055
Special refundable tax	26,560	30,757
	<u>589,218</u>	<u>674,744</u>
<b>FIXED—AT COST</b>		
Building, land, furniture, equipment and engraved stock	5,823,705	5,186,709
Less accumulated depreciation	4,103,277	3,790,327
	<u>1,720,428</u>	<u>1,396,382</u>
Excess of cost of shares of a subsidiary company over the book amount of its net assets at the dates of acquisition	108,562	108,562
	<u>\$4,830,234</u>	<u>\$4,760,674</u>
On behalf of the Board:		

A. MURRAY VAUGHAN,

Director.

R. P. WHITE,

Director.

## LIABILITIES

	<u>1968</u>	<u>1967</u>
CURRENT		
Bank loan	\$ 200,000	\$ -
Accounts payable and accrued liabilities	438,199	334,548
Income taxes payable (Note 3)	177,176	446,240
Sales taxes payable	94,470	54,093
	<u>909,845</u>	<u>834,881</u>
Deferred income taxes (Note 3)	426,000	546,000

## SHAREHOLDERS' EQUITY

Capital stock—authorized, issued and fully paid 150,000 shares of no par value	300,000	300,000
Retained earnings	3,194,389	3,079,793
	<u>3,494,389</u>	<u>3,379,793</u>
	<u>\$4,830,234</u>	<u>\$4,760,674</u>

The accompanying notes are an integral part of these financial statements.



# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

AND WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Earnings from operations before deducting the expenses shown below	\$1,315,643	\$1,515,083
Depreciation	334,804	330,711
Directors' remuneration as director or officer	105,750	110,915
	<u>440,554</u>	<u>441,626</u>
Net earnings from operations	875,089	1,073,457
Investment income	94,195	52,758
Other income	9,501	4,203
	<u>978,785</u>	<u>1,130,418</u>
Provision for income taxes (Note 3)	474,189	566,241
Earnings for the year	<u>\$ 504,596</u>	<u>\$ 564,177</u>
Earnings per share	<u>\$3.36</u>	<u>\$3.76</u>

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1968 (with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Balance at beginning of year	\$3,079,793	\$2,950,616
Earnings for the year	504,596	564,177
	<u>3,584,389</u>	<u>3,514,793</u>
Less dividends paid	390,000	435,000
Balance at end of year	<u>\$3,194,389</u>	<u>\$3,079,793</u>

The accompanying notes are an in



# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

## AND WHOLLY-OWNED SUBSIDIARIES

### CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1968 (with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
<b>SOURCE</b>		
From operations		
Earnings for the year	\$ 504,596	\$ 564,177
Amounts charged against earnings not requiring an outlay of funds		
Depreciation	334,804	330,711
Amortization of deferred past service pension costs (Note 2)	108,452	79,418
Increase in deferred income taxes (Note 3)	-	33,000
	<u>947,852</u>	<u>1,007,306</u>
Repayment of non-current loan	-	50,000
	<u>947,852</u>	<u>1,057,306</u>
 <b>APPLICATION</b>		
Dividends	390,000	435,000
Purchases of fixed assets—net	658,850	527,153
Purchase of outside interests in a subsidiary	-	75,000
Purchase of investments	7,500	-
Increase in other non-current assets	15,426	37,896
Decrease in deferred income taxes (Note 3)	120,000	-
	<u>1,191,776</u>	<u>1,075,049</u>
 Decrease in working capital	243,924	17,743
Working capital at beginning of year	1,746,105	1,763,848
Working capital at end of year	<u>\$1,502,181</u>	<u>\$1,746,105</u>

part of these financial statements.

# BRITISH AMERICAN BANK NOTE COMPANY LIMITED AND WHOLLY-OWNED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 1968

## 1. **Subsidiary Companies**

These consolidated financial statements include the accounts of British American Bank Note Company Limited (incorporated under the Canada Corporations Act) and its wholly-owned subsidiaries whose financial statements are not published:

- The Franklin Press Limited (incorporated under The Corporations Act - Ontario)
- Compagnie de Billets de Banque Québec Ltée - Quebec Bank Note Company Ltd. (incorporated under the Quebec Companies Act)

## 2. **Deferred Past Service Pension Costs**

This includes an amount of \$49,000 being the balance of a surplus of \$93,000 (disclosed by an actuarial valuation made during 1968) after writing off to expense an amount of \$44,000 to cover the Company's contribution in respect of current service to the pension fund for 1968. The remaining amount of \$334,000, which represents the unamortized portion of a lump-sum payment made to the pension fund in 1966 of \$665,000, is being amortized at the rate of \$64,500 per year.

## 3. **Income Taxes**

Income taxes on consolidated earnings of \$978,785 have been provided for in the accounts in the amount of \$474,189 and are less than income taxes currently payable by \$120,000 (1967 income taxes provided exceeded income taxes payable by \$33,000).

This increase in taxes currently payable has been charged against deferred income taxes in the balance sheet and arises from the following:

- a) The depreciation provided in the accounts exceeds the maximum capital cost allowances allowable for income tax purposes, resulting in an increase in income taxes currently payable of \$62,000.
- b) The reflection in the accounts of a portion of pension costs, referred to in Note 2, which were claimed for income tax purposes when paid, resulting in an increase in income taxes currently payable of \$58,000.

The effect on deferred income taxes is as follows:

	Balance December 31 1967	Change in 1968	Balance December 31 1968
Deferral Resulting From			
Capital cost allowances in excess of depreciation provided in the accounts	\$292,000	\$(62,000)	\$230,000
Pension costs claimed for income taxes when paid	254,000	(58,000)	196,000
	<u>\$546,000</u>	<u>\$(120,000)</u>	<u>\$426,000</u>

#### 4. Disclosure of Sales

By an order made January 31, 1969, pursuant to Section 117(1)(a) of the Canada Corporations Act, The Chief Justice of Ontario authorized the Company to omit the amount of sales or gross revenue derived from its operations from its financial statements to be laid before its next annual meeting of shareholders.

#### 5. Capital Expenditure Commitments

As at December 31, 1968 there were commitments for capital expenditures amounting to approximately \$110,000 (1967 \$150,000).



# BRITISH AMERICAN BANK NOTE COMPANY LIMITED

## AUDITORS' REPORT TO THE SHAREHOLDERS

British American Bank Note Company Limited  
Ottawa, Ontario.

We have examined the consolidated balance sheet of British American Bank Note Company Limited and its wholly-owned subsidiaries as at December 31, 1968 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Company and its wholly-owned subsidiaries as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, ROSS, BAILEY & SMART.

Chartered Accountants.

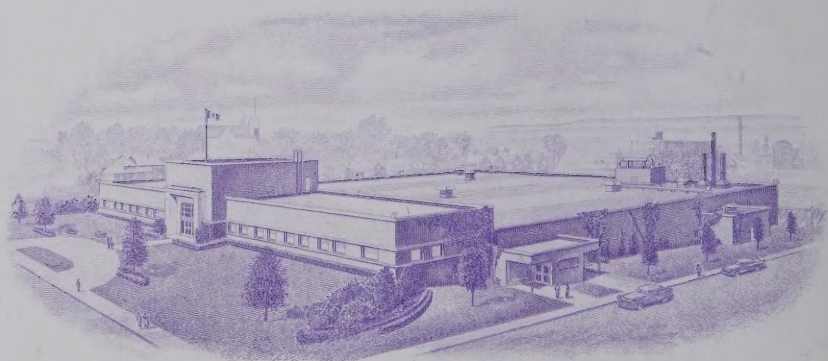
Ottawa, Ontario, February 4, 1969.











HEAD OFFICE AND PLANT  
OTTAWA

BRANCH OFFICES

MONTREAL

TORONTO